

**NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION**

Financial Statements and Schedule

September 30, 2002 and 2001

With Independent Auditors' Report Thereon

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

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## Postlethwaite & Netterville

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
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### Independent Auditors' Report

The Board of Commissioners  
New Orleans City Park Improvement Association:

We have audited the statements of net assets of New Orleans City Park Improvement Association (the Park) as of September 30, 2002 and 2001, and the related statements of changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Park's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans City Park Improvement Association as of September 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Park adopted the provisions of Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, in 2002.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2003 on our consideration of the New Orleans City Park Improvement Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedules of Operating Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Robert A. Pothwaite & Miller*

New Orleans, Louisiana  
March 24, 2003

## **NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION**

### **Management's Discussion and Analysis**

September 30, 2002

This section of the New Orleans City Park Improvement Association (the Park) financial report presents a discussion and analysis of the Park's financial performance during the fiscal year that ended September 30, 2002. Please read it in conjunction with the Park's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

The Park implemented GASB 34 –*Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, in 2002.

The Park's net assets represent approximately 75% of total assets of approximately \$13 million in 2002. In 2001, the Park's net assets approximated 72% of total assets of approximately \$13 million.

The Park had income (change in net assets) of approximately \$250,000 for the year ended September 30, 2002 as compared to a loss (change in net assets) of \$700,000 in 2001. In addition, the Park's cash from operating activities was \$738,000 in 2002 as compared to \$14,000 in 2001.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about the Park's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplemental information that further explains and supports the information in the financial statements.

The Park's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Changes in Net Assets. All assets and liabilities associated with the operation of the Park are included in the Statements of Net Assets.

The Statements of Net Assets reports the Park's net assets, which is the difference between its assets and liabilities. Net assets is one way to measure the Park's financial health or position. The increase in the Park's net assets during 2002 is an indicator of the Park's efforts in strengthening its financial condition.

### **FINANCIAL ANALYSIS OF THE PARK**

#### **Net Assets**

The Park's total assets at September 30, 2002 reached approximately \$13 million, which was consistent with 2001 (See Table A-1). A significant change in the composition of assets was the increase in cash and investments of approximately \$800,000 which was offset by the decline in fixed assets, as a result of depreciation in 2002, by approximately \$650,000. The increase in cash and investments reflects proceeds from a mineral rights lease and the cash flow from operating activities.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Management's Discussion and Analysis, Continued

September 30, 2002

<b>TABLE A-1</b> <b>NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION</b> <b>Statements of Net Assets</b> <b>September 30, 2002 and 2001</b>			
<b>Assets</b>	<b>2002</b>	<b>2001</b>	<b>Variance</b>
Current assets	1,209,308	1,043,709	165,599
Investments held at the Greater New Orleans Foundation and LAMP	602,326	280,047	322,279
Fixed assets, net	11,154,447	11,796,801	(642,354)
	<u>\$ 12,966,081</u>	<u>13,120,557</u>	(154,476)
<b>Liabilities and Net Assets</b>			
Current liabilities	2,064,016	2,133,453	(69,437)
Capital leases payable	75,313	191,861	(116,548)
Insurance payable	1,085,825	1,302,987	(217,162)
Total liabilities	<u>3,225,154</u>	<u>3,628,301</u>	(403,147)
Net assets:			
Invested in capital assets	10,961,339	11,450,875	(489,536)
Restricted	316,908	278,670	38,238
Unrestricted	(1,537,320)	(2,237,289)	699,969
Total net assets	<u>9,740,927</u>	<u>9,492,256</u>	248,671
	<u>\$ 12,966,081</u>	<u>13,120,557</u>	(154,476)

Total liabilities also changed positively, declining by approximately \$400,000 to \$3.2 million as of September 30, 2002. This positive decline is a result of decreasing accounts payable and payoff of leased assets.

Net assets grew by approximately \$250,000 as explained in the following section. Net assets invested in capital assets reflect fixed assets, net of accumulated depreciation, net of debt balance for capital leases. Restricted assets reflect assets restricted by a donor and/or contractual agreements for specific purposes.

### Changes in Net Assets

The change in net assets for the year ended September 30, 2002 was approximately \$250,000 as compared to a negative change in net assets of approximately \$700,000 for the year ended September 30, 2001. The Park's total operating revenues increased by 5.2% to approximately \$10.7 million. Total operating expenses decreased 5.2% to approximately \$11.0 million, which includes approximately \$1 million of depreciation expense. The changes in net assets are detailed in Table A-2; operating expenses are detailed in Table A-3.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Management's Discussion and Analysis, Continued

September 30, 2002

**TABLE A-2**  
**NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION**  
 Statements of Changes in Net Assets  
 For the years ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>	<u>Variance</u>	<u>Percent</u>
Operating revenues:				
Casino, catering, and restaurant revenue	\$ 2,840,143	2,967,302	(127,159)	-4.29%
Amusements and other events	2,586,291	2,129,609	456,682	21.44%
Golf course fees, cart rentals and driving range	3,355,098	3,233,884	121,214	3.75%
Horticulture, grounds and pavilion	934,831	848,296	86,535	10.20%
Other	991,194	994,973	(3,779)	-0.38%
Total operating revenues	<u>10,707,557</u>	<u>10,174,064</u>	<u>533,493</u>	5.24%
Operating expenses:				
General park	2,414,863	2,621,013	(206,150)	-7.87%
Casino, catering, and restaurant expense	2,111,800	2,389,836	(278,036)	-11.63%
Amusements and other events	1,948,494	1,705,421	243,073	14.25%
Golf course, cart operations and driving range	2,165,757	2,314,076	(148,319)	-6.41%
Depreciation	958,515	927,807	30,708	3.31%
Other	1,382,878	1,624,778	(241,900)	-14.89%
Total operating expenses	<u>10,982,307</u>	<u>11,582,931</u>	<u>(600,624)</u>	-5.19%
Net operating loss	(274,750)	(1,408,867)	1,134,117	80.50%
Nonoperating income (expense)	360,968	367,810	(6,842)	-1.86%
Capital contributions	<u>162,453</u>	<u>344,311</u>	<u>(181,858)</u>	-52.82%
Changes in net assets	248,671	(696,746)	945,417	-
Net assets at beginning of year	<u>9,492,256</u>	<u>10,189,002</u>	<u>(696,746)</u>	-6.84%
Net assets at end of year	<u>\$ 9,740,927</u>	<u>9,492,256</u>	<u>248,671</u>	2.62%

Operating revenues increased by 5.2% to \$10.7 million. This is primarily a result of price increases and better weather conditions. This is also a result of more aggressive promotions and sales efforts designed to increase revenues.

## NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

### Management's Discussion and Analysis, Continued

September 30, 2002

<b>TABLE A-3</b>				
<b>NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION</b>				
Schedule of Operating Expenses				
For the years ended September 30, 2002 and 2001				
	<b>2002</b>	<b>2001</b>	<b>Variance</b>	<b>Percent</b>
Payroll	\$ 4,668,266	4,820,922	(152,656)	-3.17%
Cost of goods sold	1,117,777	1,288,215	(170,438)	-13.23%
Contract labor	958,527	876,648	81,879	9.34%
Depreciation	958,515	927,807	30,708	3.31%
Payroll benefits	572,594	566,090	6,504	1.15%
Utilities	400,389	498,922	(98,533)	-19.75%
Other	342,881	349,038	(6,157)	-1.76%
Insurance	330,859	550,019	(219,160)	-39.85%
Other	1,632,499	1,705,270	(72,771)	-4.27%
Operating expenses \$	<u>10,982,307</u>	<u>11,582,931</u>	<u>(600,624)</u>	-5.19%

Operating expenses decreased in 2002 primarily as a result of cost controls. As shown in Table A-3, payroll expense decreased by approximately 3%; utility expense declined by approximately 20% (as a result of improved weather and utility cost savings implemented). Insurance declined by approximately 40% as a result of a decrease in rates due to a decrease in major claims after seven years and the negotiations of the State.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Asset Administration

The Park's investment in capital assets approximated \$11 million, net of accumulated depreciation. This investment consists principally of amusement and golf equipment, land and mineral rights, and buildings and related improvements. The Park currently does not have any significant ongoing construction projects.

### Debt Administration

The Park's debt consists of capital leases related to equipment. The Park also has a long-term payable to the State of Louisiana (the State) related to the State's insurance premiums. The Park's is required to participate in the State's insurance program for general liability and related coverage.

## CONTACTING THE PARK'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons and other interested parties with a general overview of the Park's finances and to demonstrate the Park's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the New Orleans City Park Improvement Association at (504) 482-4888.



# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Statements of Net Assets

September 30, 2002 and 2001

<b>Assets</b>	<b>2002</b>	<b>2001</b>
Current assets:		
Cash (notes 2 and 4):		
Unrestricted	\$ 534,214	124,471
Restricted	-	254,670
Total cash and cash equivalents (note 2)	534,214	379,141
Investments substantially restricted (note 2)	373,659	24,000
Receivables (less allowance for doubtful accounts):		
Friends of City Park	3,101	615
Other	100,494	239,764
Inventories	150,314	153,680
Prepaid expenses and other assets	47,526	246,509
Total current assets	1,209,308	1,043,709
Investments held at the Greater New Orleans Foundation (note 2)	99,051	47,721
Investments with Louisiana Asset Management Pool (note 2)	503,275	232,326
Fixed assets, net (notes 3, 5, and 6)	11,154,447	11,796,801
	<u>\$ 12,966,081</u>	<u>13,120,557</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable - trade	\$ 717,978	749,451
Accrued salaries	141,513	155,127
Deferred income	593,306	617,497
Current portion of capital leases payable (note 6)	117,795	154,065
Current portion of insurance payable (note 4)	144,775	144,776
Accrued vacation leave	291,898	290,500
Funds held for others (note 4)	56,751	22,037
Total current liabilities	2,064,016	2,133,453
Capital leases payable (note 6)	75,313	191,861
Insurance payable (note 4)	1,085,825	1,302,987
Total liabilities	3,225,154	3,628,301
Net assets:		
Invested in capital assets	10,961,339	11,450,875
Restricted	316,908	278,670
Unrestricted	(1,537,320)	(2,237,289)
Total net assets	9,740,927	9,492,256
Commitments (notes 3, 4, 5, 6, and 7)	-	-
	<u>\$ 12,966,081</u>	<u>13,120,557</u>

See accompanying notes to financial statements.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Statements of Changes in Net Assets

For the years ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Casino, catering, and restaurant revenue	\$ 2,840,143	\$ 2,967,302
Amusements and other events	2,586,291	2,129,609
Golf course fees	1,865,896	1,727,669
Horticulture, grounds and pavilion	934,831	848,296
Golf cart rentals	893,777	840,844
Driving range	595,425	665,371
Stadium rentals and concessions	445,752	456,522
Quadraplex rentals and concessions	307,259	317,873
Tennis fees and shop sales	217,312	213,788
Boating and fishing	20,871	6,790
Total operating revenues	<u>10,707,557</u>	<u>10,174,064</u>
Operating expenses:		
General park	2,414,863	2,621,013
Casino, catering, and restaurant expense	2,111,800	2,389,836
Amusements and other events	1,948,494	1,705,421
Golf course	1,628,496	1,740,325
Depreciation	958,515	927,807
Horticulture and grounds	490,244	535,562
Stadium	437,925	579,150
Golf cart operations	329,195	345,338
Quadraplex	231,747	233,373
Driving range	208,066	228,413
Tennis	188,009	232,204
Boating and fishing	34,953	44,489
Total operating expenses	<u>10,982,307</u>	<u>11,582,931</u>
Net operating loss	<u>(274,750)</u>	<u>(1,408,867)</u>
Nonoperating income (expense):		
Interest income	10,522	19,007
Royalties, contributions, and other revenue	370,810	370,810
Interest expense	<u>(20,364)</u>	<u>(22,007)</u>
Total nonoperating income	<u>360,968</u>	<u>367,810</u>
Changes in net assets before capital contributions	86,218	(1,041,057)
Capital contributions	<u>162,453</u>	<u>344,311</u>
Changes in net assets after capital contributions	248,671	(696,746)
Net assets at beginning of year	<u>9,492,256</u>	<u>10,189,002</u>
Net assets at end of year	<u><u>\$ 9,740,927</u></u>	<u><u>9,492,256</u></u>

See accompanying notes to financial statements.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Statements of Cash Flows

For the years ended September 30, 2002 and 2001

	<b>2002</b>	<b>2001</b>
Cash flows from operating activities:		
Cash received from user fees and other park activities	\$ 10,778,073	10,193,025
Cash payments to suppliers for goods and services and to employees for services	(10,040,218)	(10,178,937)
Net cash provided by operating activities	<u>737,855</u>	<u>14,088</u>
Cash flows from capital and related financing activities:		
Contributed by others for capital improvements	162,453	344,311
Acquisition and construction of capital assets	(316,161)	(364,145)
Repayment of capital leases	(152,818)	(145,711)
Interest paid on capital leases	(20,364)	(22,007)
Net cash used in capital and related financing activities	<u>(326,890)</u>	<u>(187,552)</u>
Cash flows from investing activities:		
Interest received on investments	10,522	23,218
Decrease in investments	(16,616)	-
Royalties, contributions, and other revenue	370,810	370,810
Net cash provided by investing activities	<u>364,716</u>	<u>394,028</u>
Net increase in cash and cash equivalents	775,681	220,564
Cash and cash equivalents at beginning of the year	635,467	414,903
Cash and cash equivalents at end of the year	<u>\$ 1,411,148</u>	<u>635,467</u>
Reconciliation of cash and cash equivalents:		
Cash	534,214	379,141
Investments substantially restricted	373,659	24,000
Investments with Louisiana Asset Management Pool	503,275	232,326
	<u>\$ 1,411,148</u>	<u>635,467</u>
Noncash capital and financing activities transactions:		
During 2001, the Park acquired equipment under various capital lease obligations totaling \$312,325.		
Reconciliation of changes in net assets to net cash provided by operating activities are as follows:		
Operating loss	\$ (274,750)	(1,408,867)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in allowance for bad debt	(42,077)	25,000
Depreciation	958,515	927,807
Decrease in receivables	178,861	17,627
Decrease in inventories	3,366	28,032
Decrease in prepaid expenses and other assets	198,983	61,429
Increase (decrease) in trade payables and insurance payable	(248,636)	397,407
Increase (decrease) in accrued liabilities and other liabilities	(12,216)	14,319
Increase in deferred income	(24,191)	(48,666)
Net cash provided by operating activities	<u>\$ 737,855</u>	<u>14,088</u>

See accompanying notes to financial statements.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Notes to Financial Statements

September 30, 2002

### **(1) Summary of Significant Accounting Policies**

The State of Louisiana legislature passed Act 84 of 1870 which established a public park in the City of New Orleans (the City) and created the New Orleans Park Board of Commissioners. By Act 87 of 1877, the Board was abolished and the powers and duties were transferred to the City Council of New Orleans.

In 1896, Act 84 of 1870 was repealed and Act 130 gave recognition to an organization called the "New Orleans City Park Improvement Association" (the Park), an agency of the State, which was to manage and supervise the City's park.

Act 865 of 1982 transferred the Park to the State Department of Culture, Recreation and Tourism. The Park shall be used for park, educational and cultural purposes.

#### ***(a) Reporting Entity***

For financial reporting purposes and in accordance with Governmental Accounting Standards Board's definition of a reporting entity, the Park has only one fund, an enterprise fund, which accounts for all assets, liabilities and operations of the Park, and, as such, is considered a primary government.

Of the 35 authorized Board members, 12 are appointed by various governmental units and nonprofit organizations. The remaining board members serve limited staggered terms and are appointed by the current Board members of the Park. The Park's Board members have decision-making authority over the activities of the Park including: the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Park has no special financial relationships with any other governmental unit and is responsible for its own debt and surpluses and deficits.

#### ***(b) Change in Accounting***

The Park adopted the provisions of Governmental Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments (Statement 34), in 2002, effective September 30, 2001. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements and had no impact on net assets. The impact was on the presentation of net assets and the inclusion of management's discussion and analysis.

#### ***(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The accounting policies of the Park conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of related cash flows. The Park has no governmental or fiduciary funds. The Park uses fund accounting to report its financial position and results of operations. The Park's accounts are organized into a single proprietary fund.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Notes to Financial Statements

September 30, 2002

The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Park's principal operating revenues are the fees received for services. The Park applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

**(d) Investments**

Investments are stated at fair value based on quoted market prices. If quoted prices are not available, fair value is estimated based on similar securities. Louisiana Revised Statutes authorize the Park to invest in bonds, treasury notes, certificates or other obligations of the United States, or time certificates of deposit in state banks organized under Louisiana laws and national banks having principal offices in the State.

**(e) Inventories**

Inventories, consisting primarily of gift shop, concession, and catering supplies, are valued at cost, which approximates market, using the weighted average method.

**(f) Fixed Assets**

Fixed assets are stated at cost. Contributed assets are recorded at fair market value at the time received. Depreciation is provided using the straight-line method over the estimated useful lives.

**(g) Vacation Leave**

The Park permits employees a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Park service.

**(h) Net Assets**

Designations of Net Assets represent those portions which are not available for operations but have been designated by the Board. Designations include golf improvements, tennis improvements, and other similar Park projects.

**(i) Cash Flows**

For purposes of the statement of cash flows, only cash certificates on hand and on deposit and investments having an initial term of three months or less are included in cash and cash equivalents.

**(j) Allowance for Doubtful Accounts**

The allowance for doubtful accounts is based on prior years experience and management's analysis of possible bad debts. The allowance for doubtful accounts was \$7,923 and \$50,000 as of September 30, 2002 and 2001, respectively.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Notes to Financial Statements

September 30, 2002

### (2) Cash, Cash Equivalents and Investments

The following are the components of the Park's cash, cash equivalents and investments at September 30, 2002 and 2001:

		<u>2002</u>	<u>2001</u>
Current:			
Cash in banks and certificates of deposit	\$	534,214	379,141
Investments – primarily U.S. Treasury securities		373,659	24,000
Long-term:			
Investments held at Greater New Orleans Foundation (restricted endowment)		99,051	47,721
Investments with Louisiana Asset Management Pool		<u>503,275</u>	<u>232,326</u>
Total cash, cash equivalents and investments	\$	<u>1,510,199</u>	<u>683,188</u>

Cash - The bank balances of cash and certificates of deposit, as reflected by the Bank's records totaled \$553,421 and \$308,892 at September 30, 2002 and 2001, respectively. The Park's bank and certificates of deposits at year-end were covered by federal depository insurance or by collateral held by the Park's custodial bank in the Park's name.

Restricted cash and investments as of September 30, 2002 and 2001 are as follows:

	<u>Restricted Cash</u>	<u>Restricted Investments</u>	<u>Total</u>
2002:			
Ribet Fund	\$ -	24,000	24,000
Neighborhood Association Funds	-	74,927	74,927
Capital Funds Received from State	-	<u>274,732</u>	<u>274,732</u>
	\$ -	<u>373,659</u>	<u>373,659</u>
2001:			
Ribet Fund	\$ -	24,000	24,000
Neighborhood Association Funds	29,914	-	29,914
Soccer Field Funds	20,000	-	20,000
Capital Funds Received from State	<u>204,756</u>	-	<u>204,756</u>
	\$ <u>254,670</u>	<u>24,000</u>	<u>278,670</u>

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Notes to Financial Statements

September 30, 2002

Investments - The Park's investments are categorized below to give an indication of the level of risk assumed by the Park at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Park or its agent in the Park's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department in the Park's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Park's name.

	<u>Fair Value</u>	<u>Category</u>
2002:		
U.S. Treasury bills	\$ 349,659	1
U.S. Treasury note	<u>24,000</u>	1
U.S. Treasury note	<u>\$ 373,659</u>	
2001 -		
U.S. Treasury note	<u>\$ 24,000</u>	1

As of September 30, 2002, the Park had investments totaling \$503,275 in the Louisiana Asset Management Pool (LAMP). LAMP, local government investment pool, represents those assets held which is not categorized under GASB Codification Section 150.164 because the investment is in a pooled fund and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Notes to Financial Statements

September 30, 2002

### (3) Fixed Assets

The fixed assets of the Park as of September 30, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>	<u>Estimated useful life (years)</u>
Amusement equipment	\$ 3,477,486	3,477,486	5 - 20
Gardens	2,377,422	2,377,422	5 - 10
Softball quadraplex	1,594,426	1,558,027	5 - 20
Trucks and other equipment	1,295,212	1,295,212	5 - 10
Administration building	1,209,012	1,177,691	3 - 20
Golf equipment	1,387,191	1,387,191	3 - 20
Couba Island – land	686,000	686,000	-
Couba Island - mineral rights	271,200	271,200	5
Catering Center/Casino	3,080,753	3,064,680	5 - 10
Tennis center	668,828	668,828	5 - 20
General park	1,286,800	636,406	5 - 10
Stadium	1,787,635	1,776,319	5 - 20
Boat equipment	73,700	42,771	5 - 10
Construction in progress	<u>9,965</u>	<u>470,238</u>	-
	19,205,630	18,889,471	
Less accumulated depreciation	<u>8,051,183</u>	<u>7,092,670</u>	
Fixed assets, net	<u>\$ 11,154,447</u>	<u>11,796,801</u>	

Construction in progress of \$9,961 as of September 30, 2002 consists of projects primarily related to completion of a large drainage project and the conservatory. Construction in progress of \$470,238 as of September 30, 2001 consisted of \$319,403 expended for a drainage project, \$110,799 expended for golf improvements, and \$40,036 expended for various other projects.

### (4) Commitments

During 2001, the Park restructured the terms of its \$1,447,763 insurance payable to the State of Louisiana Office of Risk Management, making 120 monthly payments in the amount of \$12,065 effective January 2002. The remaining amount as of September 30, 2002 is \$1,230,600.

The Park has assisted several local neighborhood association groups by obtaining grant funds on behalf of these organizations. The amounts remain in restricted assets and fund held for others until requested by the association groups.



# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Notes to Financial Statements

September 30, 2002

### (5) Operating Leases

The Park leases certain facilities to various lessees under renewable operating lease agreements. These facilities include the snowball stand, the stables, and land and building to Christian Brothers School. Minimum future lease payments receivable as of September 30, 2002, are as follows:

2003	\$ 170,402
2004	170,902
2005	82,400
2006	69,400
2007	62,000
Thereafter	165,000
Total	<u>\$ 720,104</u>

The Park leases golf equipment under a renewable operating lease. The approximate rental expense for this equipment for the years ended September 30, 2002 and 2001 was \$144,585 and \$144,731, respectively. The remaining minimum future payments due under this agreement as of September 30, 2002 are for fiscal year 2003 for the amount of \$144,600.

In addition, the Park leases Pan American Stadium to the Orleans Parish Public School Board under an operating lease expiring in 2002 for lease payments of \$1 per year.

### (6) Capital Leases

The Park has capital lease agreements for golf, maintenance, and other equipment. The cost of the equipment leased under capital leases as of September 30, 2002 and 2001 is \$531,036 and \$674,941, respectively. Accumulated depreciation on this equipment as of September 30, 2002 and 2001 is \$260,036 and \$272,104, respectively.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at September 30, 2002:

Fiscal year ending September 30:	
2003	\$ 125,956
2004	73,181
2005	<u>4,178</u>
Total minimum lease payments	203,315
Less amount representing interest	<u>10,207</u>
Present value of future minimum lease payments	193,108
Less current portion	<u>117,795</u>
Noncurrent portion of leases payable	<u>\$ 75,313</u>

# NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

## Notes to Financial Statements

September 30, 2002

### **(7) Employee Benefit Plans - Deferred Compensation Plan**

The Park offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all regular full and part-time Park employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employee or their beneficiary until termination, retirement, death, or an unforeseeable emergency.

The plan is administered by the State of Louisiana (the State). Participants' rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. The Park contributed \$70,337 and \$80,514 to the deferred compensation plan in 2002 and 2001, respectively.

### **(8) Operations**

The Park has incurred substantial operating losses for the years ending September 30, 1998 through 2001. In addition, certain capital improvements have been funded, at least partially, through operations. While the Park generated a positive change in net assets for the year ending September 30, 2002, the Park has a working capital deficit of \$854,708 as of September 30, 2002. The Board and management of the Park have been implementing a plan to improve the Park's financial position. Actions taken prior to September 30, 2002 include increased revenues from additional programs and general price increases for services currently provided, targeted expense reductions, a moratorium on unfunded capital expenditures, and negotiations with creditors to extend the terms of amounts due. Similar actions will occur in 2003, as necessary.

### **(9) Subsequent Event**

The Park received a preliminary report from the City of New Orleans asserting that the City is owed sales and amusement taxes for certain operations of the Park. At this time, the Park is unable to determine the amount which may be due. No amounts have been provided in the financial statements.

**Schedule 1****NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION**

## Schedules of Operating Expenses

For the years ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Administrative	\$ 286,377	\$ 335,122
Advertising	68,565	130,210
Bad debt	29,397	62,294
Celebration in the Oaks supplies	298,567	140,085
Communications	23,772	57,889
Contract labor	958,527	876,648
Contract services	203,799	248,755
Cost of goods sold	1,117,777	1,288,215
Depreciation	958,515	927,807
Fuel	40,132	46,754
Golf tournament expense	15,040	7,674
Insurance	330,859	550,019
Other	47,480	66,769
Payroll	4,668,266	4,820,922
Payroll benefits	572,594	566,090
Rentals	247,190	259,098
Repairs and maintenance	342,881	349,038
Special events	32,412	20,438
Supplies	269,801	251,302
Telephone	62,281	72,899
Uniforms	7,686	5,981
Utilities	400,389	498,922
	<u>400,389</u>	<u>498,922</u>
Operating expenses	\$ <u><u>10,982,307</u></u>	\$ <u><u>11,582,931</u></u>

See accompanying independent auditors' report.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Members of the  
New Orleans City Park Improvement Association  
New Orleans, Louisiana:

We have audited the financial statements of New Orleans City Park Improvement Association (the Park), as of and for the year ended September 30, 2002, and have issued our report thereon dated March 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards* except as disclosed in the attached Appendix A.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Park in a separate letter dated March 24, 2003.

This report is intended solely for the information and use of the Board, the Park's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Postulante & Metairie*

New Orleans, Louisiana  
March 24, 2003

**NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION**  
**New Orleans, Louisiana**

Schedule of Findings and Questioned Costs

Year ended September 30, 2002

**Finding 2002.1 – Investments**

Criteria: State of Louisiana Revised Statutes (LA. Rev. Stat. 33:2955) limits the types of investments by a governmental agency.

Condition: During 2002, the Park received investments held by a third-party agency which is not in conformity with the above requirement.

Questioned Cost: There are no questioned costs; the Park needs to monitor these types of investments.

Effect: Certain investments held by the Park are not in compliance.

Recommendation: Park policies should be modified and/or communicated to appropriate parties to better ensure compliance with Revised Statutes requirements; management review efforts should be strengthened to reflect the enforcement of the appropriate requirements.

**Finding 2002.2 – Public Bid Requirements**

Criteria: State of Louisiana Revised Statutes (LA. Rev. Stat. 8:2212) require that materials and supplies procured between \$7,500 and \$15,000 should have at least three telephone quotes.

Condition: During a sample of 40 disbursements, we noted that for one item selected, the Park did not comply with bid requirements as contained in the State of Louisiana Revised Statutes.

Questioned Cost: The Park did not have evidence of bid results and/or adequate advertisements as related to the acquisition of a used truck for \$8,900.

Effect: Certain items procured by the Park were acquired without appropriate bid and/or advertisement.

Recommendation: Management review efforts should be strengthened to reflect the enforcement of the appropriate requirements.

**NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION  
New Orleans, Louisiana**

**Management's Response to the Schedule of Findings and Questioned Costs**

**Finding 2002.1 – Investments**

The Park was under the assumption that a donation could be invested in an endowment for City Park; however, since the donation was received in conjunction with an operating lease, it should have gone into our operating funds. The Park will transfer the donation from the endowment to our operating funds.

**Finding 2002.2 – Public Bid Requirements**

Since the Park did not have funds to purchase this equipment new, we had to look for used equipment. The Park did receive one other bid that was substantially higher; however, due to the unique nature of the equipment, we were not aware of another source of purchasing this “used” equipment.

**NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION**  
**New Orleans, Louisiana**

Status of Prior Year Findings and Questioned Costs

Year ended September 30, 2002

**Finding 01-1 – Long Term Obligations/Public Bid Requirements**

Criteria: State of Louisiana Revised Statutes (LA. Rev. Stat. 8:2212) require the contracts in excess of \$15,000 shall be advertised and let by contract to the lowest responsible bidder; no public work shall be done and no such purchase shall be made except as provided in the public bid statutes. In addition, the Revised Statutes further state that materials and supplies procured between \$7,500 and \$15,000 should have at least three telephone quotes.

In addition, for contracts for materials or supplies, an advertisement is required to be published at least two times in a newspaper in the locality, with the first advertisement appearing at least fifteen days before the opening of the bids.

Condition: During a sample of 40 disbursements, we noted that for one item selected, the Park did not comply with bid requirements as contained in the State of Louisiana Revised Statutes or the advertisement requirements as indicated below.

Questioned Cost: The Park did not have evidence of bid results and/or adequate advertisements as related to the acquisition of an amusement ride.

Effect: Certain items procured by the Park were acquired without appropriate bid and/or advertisement.

Recommendation: Park policies should be modified to reflect, at a minimum, the requirements of the Revised Statutes; management review efforts should be strengthened to reflect the enforcement of the appropriate requirements.

**Status**

The management of the Park has updated its bid policy to be in compliance with the State of Louisiana Revised Statutes. This policy has been distributed to all personnel in the Park with purchasing authority to ensure proper acquisition of material and supplies as required by State law. The Park has also hired a Director of Purchasing whose duties include monitoring compliance with public bid laws.





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CONFIDENTIAL

March 24, 2003

Board of Commissioners  
New Orleans City Park Improvement Association  
One Palm Drive  
New Orleans, Louisiana 70124

Dear Commissioners of the Board:

We have audited the financial statements of New Orleans City Park Improvement Association (the Park) for the year ended September 30, 2002, and have issued our report thereon dated March 24, 2003, which was unqualified. In planning and performing our audit of the financial statements of the Park, we considered the Park's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted matters involving internal control and compliance that has been presented in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards* as well as other comments included in Attachment A.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Park's organization gained during our work to make comments and suggestions that we hope will be useful to you. The status of prior year comments not resolved as of the prior year is included in Appendix B. Certain of these comments are in process.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended for the information of the Board of Commissioners, management and the State of Louisiana Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads 'Postlethwaite &amp; Netterville'.

**Current Year Comments****2002.3 Information Technology****Background**

The Park maintains the accounting office for all functions connected with the City Park of New Orleans. This office handles numerous types of accounting transactions and financial and statistical reporting, including tracking revenue centers such as event bookings for facilities, golf course green fees, softball and tennis revenues; paying disbursements; recording receipts; maintaining the budget, and processing payroll.

**Software Concerns**

The Park is currently using SBT Pro Series for accounts receivable, accounts payable, general ledger, purchase order and SBT Vision Point for payroll. SBT is a very old and unsupported DOS based program. SBT was acquired by ACCPAC in June of 2000. The latest version of ACCPAC is 7.1, the Park is running SBT version 3.0. In a constant changing environment, it is imperative to maintain current license and versions of accounting software. We recommend that this situation be addressed immediately. We also noted that this system requires a lot of data entry. More modern systems could allow initiation of a purchase order, for example, at the department level, with on-line approvals for processing. A more modern system could also enable the entering of daily receipts at the source level (rather the current re-entering of transactions), which would create a more efficient process and strengthen controls.

The Park also needs to review its virus protection software and also ensure that protection exists at the workstation level.

**Hardware Concerns**

Due to the old and antiquated accounting software, the Park is forced to stay in a DOS environment. Even for the workstations which do not use SBT, the majority of the operating systems are running DOS or Windows 95. Both of these operating systems are unsecured and unstable. We strongly recommended that the Park:

- ◆ purchase a dedicated server for all accounting program functions,
- ◆ acquire new cabling consisting of at least CAT 5 rating be pulled for all workstations
- ◆ purchase new workstations be purchased running Windows 2000 OS.

**Disaster Recovery**

The Park does not have an information and business continuity disaster recovery plan. We recommend that a complete disaster and business continuity plan be developed, contracts/agreements approved as necessary and appropriate personnel be trained. A complete plan should consist of all equipment and configurations, as well as software license agreements.

In addition, the Park should assess the fire protection in both the computer room and network area. A complete review should be made for fire protection and planning. At the very least, Halon/FM 200 fire extinguishers should be mounted in obvious places.

## **Management's Response**

The Park has received capital funds from the City of New Orleans for voice and data communications. The Park will update the accounting server, outdated workstations and add virus protection as part of the project. We are still looking for funding sources to update our accounting software.

A business continuity and disaster recovery plan for information technology will be developed with risk management as funds permit. However, the Park does maintain backups of financial information should a disaster occur. We will review safekeeping of this data.

**Status of Prior Year Comments Not Resolved as of the Prior Year**  
**(Note these comments reflect amounts and status for the respective fiscal year as noted)**

**00.4 – Depreciation**

During our audit test work discrepancies were noted in the calculation of the depreciation expense for various moveable assets. The spreadsheet system used to formulate the monthly depreciation entry did not easily allow for these errors to be discovered by the Park's staff during the year.

We recommend that the Park maintain a detailed schedule listing the cost basis and accumulated depreciation for all assets and that this schedule be compared to the general ledger on a monthly basis. If the schedule is created using a computer spreadsheet program, the Park should regularly check the spreadsheet formulas to ensure that the proper amounts are being calculated. The Park may also want to investigate the cost of purchasing a fixed asset maintenance program to track the assets and calculate the depreciation.

**Status:**

Implemented. During the 2002 fiscal year, the Park purchased a software system to track fixed assets and calculate depreciation. This system will be implemented in 2003.

**00.7 – Conflict of Interest Statements**

The Park has a conflict of interest policy. To ensure a full communication of this policy, we recommend that the Park require all employees and Board members to sign acknowledgement of receipt of the policy and modifications/changes.

**Management's Response**

In progress. Management has discussed such a policy and will resolve this matter in fiscal year 2003.

**00.8 – GASB Statement 34**

After years of study and consideration of the needs of users of government financial statements, the Governmental Accounting Standards Board (GASB) issued its revolutionary new reporting model in June 1999. The new model dramatically changes the presentation of governments' external financial statements. In the GASB's view, the objective of the new model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors. It will substantially affect the Park's financial data accumulation and financial statement presentation processes. Some of the key aspects of the changes follow:

**Management's Discussion and Analysis (MD&A)** – A comprehensive MD&A will now be included as required supplementary information. The MD&A will introduce the financial statements by presenting an analysis of the government's financial performance for the year and its financial position at year-end.

**Statement of Activities** – Governments will now be required to use a "net program cost" format for the entity-wide statements instead of a traditional operating statement. This new format groups revenues and expenses by functional categories (such as public safety, public works, etc.). The purpose of the new statement is to inform readers about the cost of specific functions and the extent to which they are financed with program revenues or general revenues of the government (such as tax revenues). Governments will have the option of reporting both direct and indirect program costs.

**Capital Contributions** – Capital contributions to enterprise funds would be reported as nonoperating revenues (rather than direct additions to equity); governments would no longer report contributed capital equity accounts. This change would recognize all contributed resources-including grants, tap fees, and developer contributions-consistently in enterprise fund operating statements. It also would eliminate the confusion caused by reporting negative retained earnings (offset) by large contributed capital balances.

The effective date of the new pronouncement will require implementation by the Park for its year ending September 31, 2003. The magnitude of these changes and the time required to prepare for implementation should not be underestimated. We recommend that the Park begin to look at its systems and processes to ensure that the required information will be available to ensure timely implementation. In addition, we recommend that the Park finalize any land and property ownership and accounting issues to include all assets that belong to the Park.

We also recommend that the Park consider the cost of required changes to its systems and processes to ensure availability of necessary funds in its upcoming budget and also consider identifying training programs for key staff members to attend.

**Management's Response**

Implemented in the 2002 fiscal year.